Professional
Builder
& Remodeler
THE ONE MAGAZINE
AUGUST 1, 1991
BEST-SELLING
KITCHENS & BATHS
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Wetlands: What
How To Market
New House Plans Available . . 93
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Professional Builder & Remodeler

THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER

On The Cover

■ Luxury dominates in the master bath of the Plan 3 at Santa Fe Summit, San Diego, see feature story on page 46. The builder is Pardee Construction. The home was designed by Bassenian/Lagoni Architects. Color Design Art merchandised the interior. Photo: Jeff L. Smith Photography.

Form meets function in today's baths: p. 46.

FEATURES

Kitchens & Baths: Sensible & Sensational 46

Builders are devoting more attention to the practical nature of today's wet rooms. The kitchens and baths featured here illustrate how to instill a sense of function in both affordable and luxury homes.

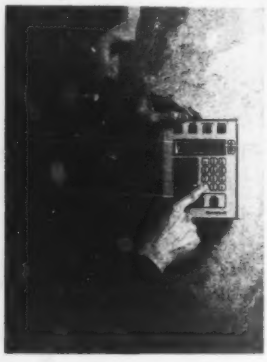
Building Systems: Four Time-Saving Techniques 56

Anticipating major shortages of skilled workers later in the 1990s, home builders are turning to building systems that reduce on-site labor and construction time. Here's the latest in time-saving technology.

The New Southern Home 62

While it evokes an antebellum mansion, it's really a neoclassic Mediterranean villa designed for today's entertainment-oriented buyers.

What's ahead in wetland regulation: p. 12.



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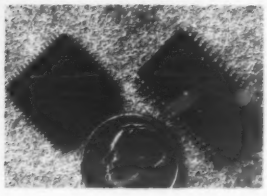

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Business

■ The problem of wetlands regulation has been called the "Mother of All Issues" for home builders. Now that Congress is reexamining the Clean Water Act, a new coalition is trying to promote the industry's view of the issue: *p. 12*. Carpenters union leaders see themselves less as adversaries and more as suppliers to the industry: *p. 16*.

Markets

■ Seniors housing that fosters residential imagery and downplays the "institutional look" has a better chance of gaining government approval: *p. 21*. An exclusive *PB&R* study reveals how builders are managing diversification to maintain workloads: *p. 31*.

Marketing

■ When Minneapolis builders came together to plan their recent parade of homes, they decided to emphasize affordability. The result was the creation of the first "Street of Reality": *p. 39*. Merchandising for budget-conscious times requires realistic designs: *p. 42*.

Technology

■ From a technical standpoint, energy-efficiency has become much easier for builders to attain. But design, consumer education and a little financial incentive are the factors that really make these programs work: *p. 71*.

■ PB&R EXCLUSIVE

New Study Reveals How Builders Manage Diversification

Most pursue diverse activities to sustain profit and maintain work load as markets fluctuate.

These days many builders are finding the best way to maintain a competitive edge in a changing marketplace is to diversify.

That's the consensus of 267 builders interviewed for *Professional Builder & Remodeler* magazine's new study, "Diversification—A Key to Survival, Success and Growth."

Early this year, *PB&R*'s marketing department interviewed company executives, all belonging to NAHB, to determine why builders diversify and the extent to which they do so.

Mark Perlman, Empeco Inc.

Of the 75% who said their businesses are diversified, 55% say they enjoy the challenges of being involved in more than one building activity.

In fact, these builders point to six distinct advantages that diversification offers. Pursuing different building activities keeps firms both financially stable and more profitable when the market fluctuates, they say. In addition, diversification also helps builders be more flexible, more competitive, more fit for growth and development, and better able to retain key employees.

With the outlook for the industry in question, the majority of builders plan to remain diversified and/or pursue additional building activities within the next three years.

For example, Mark Perlman of Empeco Inc., Northbrook, Ill., says his firm is "going to stay the course" and continue with its diversified activities over the next three years. It's been successful for them, he says.

Perlman attributes 75% to 80% of Empeco's 1990 revenues to residential construction, both new and renovation work, and the rest to commercial remodeling. Empeco always has been diversified, Perlman says, because many of the architects it works with are diversified.

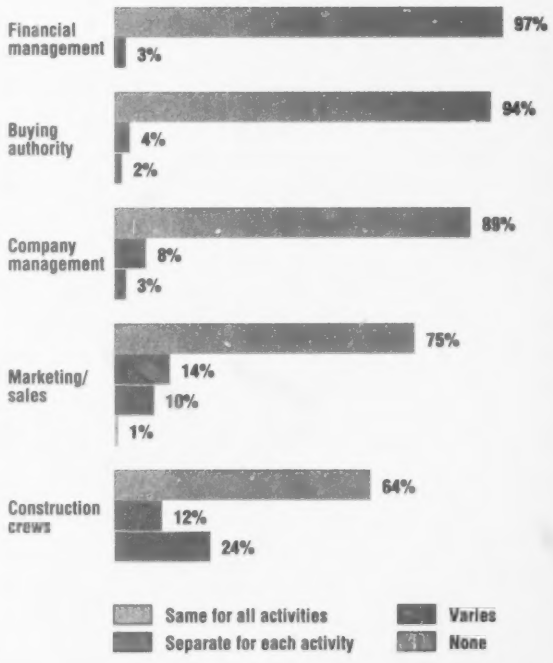
Likewise Jim Strite, Strite Construction, Boise, Idaho, has no decided plans to change his company's activities over the next three years. His firm specializes in remodeling, both residential (90%) and commercial (10%).

Nonetheless, whereas in the past the builder also has constructed custom homes, this year Strite will *not* build any custom homes because it requires so many hours, and "It's difficult to demand the price for the quality of work."

Building single-family homes currently repre-

Continued on page 32.

Staffing Arrangements In Diversified Companies



Activities Providing The Greatest Growth

Rank	Activity	Past 3 Years	Next 3 Years
1	Single family	38%	36.5%
2	Custom/luxury	20%	20.5%
3	Residential remodeling	19%	17%
4	Multifamily	8.5%	10%
5	Non-residential building	8%	8%
6	Non-residential remodeling	2.5%	3.5%

Builders pursue diverse activities to stay competitive and help retain key employees.

Continued from page 31.

sents the most desirable building activity and accounts for the greatest business growth, builders say. That activity is followed by the custom-luxury and residential remodeling markets. Multifamily construction follows in a distant fourth place, with non-res construction in a close fifth. Non-res remodeling finishes in a distant sixth place.

Despite the complexities that arise when a firm diversifies, 89% of diversified builders surveyed say that their management arrangements remain the same for each activity. Only 8% report having separate management staff for each activity.

Dwight Griffith, Griffith-Brilhart Builders

Jim Strite, Strite Construction

The study says that over the next three years, single-family construction is expected to taper off slightly. Multifamily construction and non-res remodeling, on the other hand, are expected to increase. The only building activity that respondents say they expect to pursue to a lesser degree is residential remodeling.

The slightly lower expectation for residential remodeling over the next three years likely may be attributed to builders' concern about competing builders entering the business. Another factor contributing to builders' lessened remodeling prospects is optimism that other activities will improve and grow over time, the study says.

Dwight Griffith of Griffith-Brilhart Builders, Baltimore, Md., however, has no plans to decrease his company's remodeling activity. Rather, he hopes to expand that activity even further in the future. Someday he hopes to have separate divisions to specialize in retrofitting services for the handicapped and senior citizens.

Whereas in 1990 Griffith-Brilhart's largest single activity was new home construction, this year it is remodeling. But he concedes that the size of jobs is decreasing.

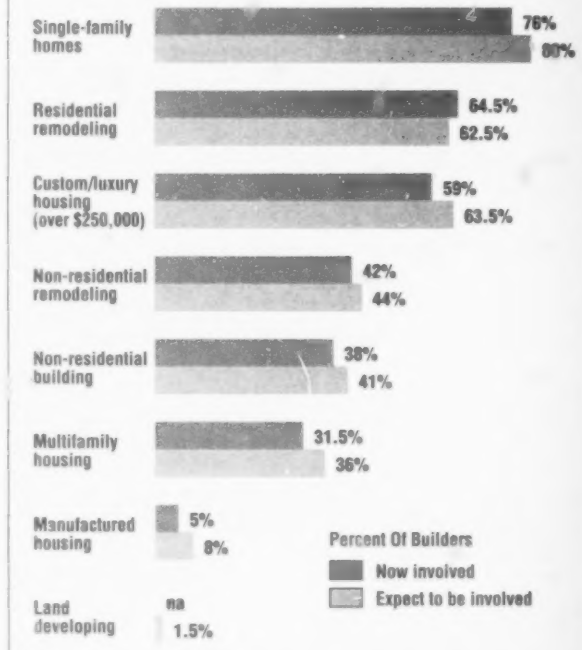
Last year, room additions were in the $100,000 and $200,000 range. "Right now a $40,000 job is big," Griffith says.

Smaller maintenance and repair jobs are very plentiful, and Griffith says home owners who would normally spend "big bucks" on room additions "are sitting on their money" because of economic uncertainties.

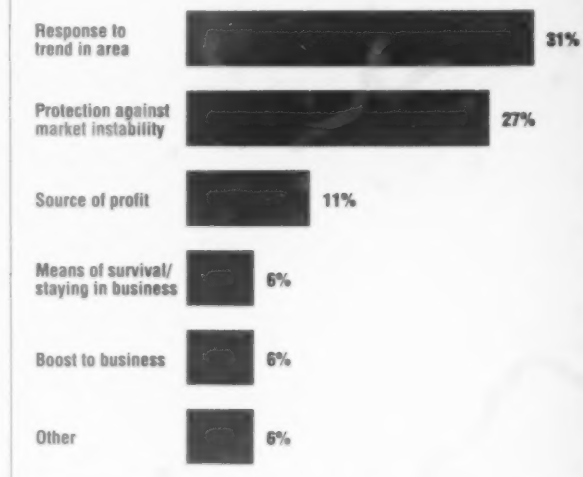
Griffith expects a change toward the end of this year, but he doesn't expect it to change his firm's pocketbook until next year.

By Andrea LaFreniere, Associate Editor

The Range Of Diversified Activities



Why Firms Diversify



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INDICATORS

Slow, Painful Recovery Continues For Housing

The market trend is in the right direction, but the pace of the rebound is disappointing.

Total housing starts for May were at a seasonally adjusted annualized rate of 982,000 units—the sixth consecutive month that starts have been below the million-unit level.

The environment for new residential construction has improved significantly since January. However, the current run of six straight submillion months would have been unthinkable a year ago.

Single-family starts rose to an annualized level of 832,000 during May, more than 28% higher than the January low. That figure is still more than 7% below the none-too-great level of May 1990. However, multifamily starts continued to set record lows. At 150,000 units, the May 1991 annualized rate of multiunit starts was more than 50% below the year-ago level.

Encouraging signals for the housing industry are contained in the building permit data, however. The seasonally adjusted annualized rate of new permits issued took an upturn for both the single-family and multifamily sectors during May.

All regions participated in this permit gain. Assuming that credit conditions and market demand continue to improve sufficiently so that most of these permits are turned into starts in the not-too-distant future, we should see start totals finally surpassing the 1 million unit (annualized) mark in the immediate future. □

Remodeling Permits Slow; Far Outpace New Construction

Following last year's increase of only 1.3% in the value of permits issued for residential remodeling, this market weakened further during the first third of 1991. Through April, remodeling permit values were down 4.9% from the same period in 1990. Although disappointing, remodeling's decline has been far less severe than the 22.1% drop recorded for single-family construction or the 51.5% plummet in the value of permits for new multifamily building construction.

Regionally, remodeling values are up in only two of the nine Census divisions—the Rocky Mountain states (+10.7%) and the Plains states (+1.9%). All regions showed some improvement during April and by year's end most regions will report gains. □

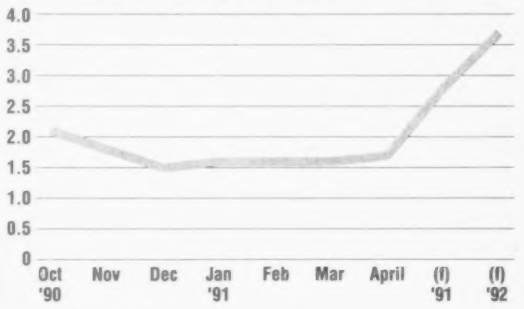
Regional Market Conditions

(Year-To-Date Trends)

	S-F Home Permit $	Average S-F Permit Value	Remodeling Permit $	Employment Change
New Haven	-3.1%	$92,400	-9.1%	-3.1%
Trenton	-45.8%	$102,774	+31.7%	-2.0%
Jacksonville	-1.6%	$80,106	+50.1%	+0.7%
Jackson, Miss.	-0.8%	$69,783	-33.5%	+0.3%
Oklahoma City	+29.9%	$91,472	+24.9%	-0.2%
Cleveland	-21.2%	$133,945	-5.8%	+0.0%
Wichita	-7.9%	$69,621	+34.5%	+2.2%
Reno	-34.2%	$116,609	+2.1%	+2.2%
Oakland	-42.4%	$131,880	-13.3%	+1.6%

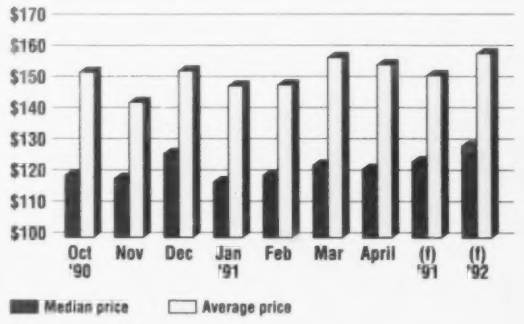
Sources: U.S. Departments of Commerce and Labor.

Trends In Construction Labor Costs



Data reflect over-the-year % change in average hourly earnings.
Source: U.S. Department of Labor. Forecast: Cahners Economics.

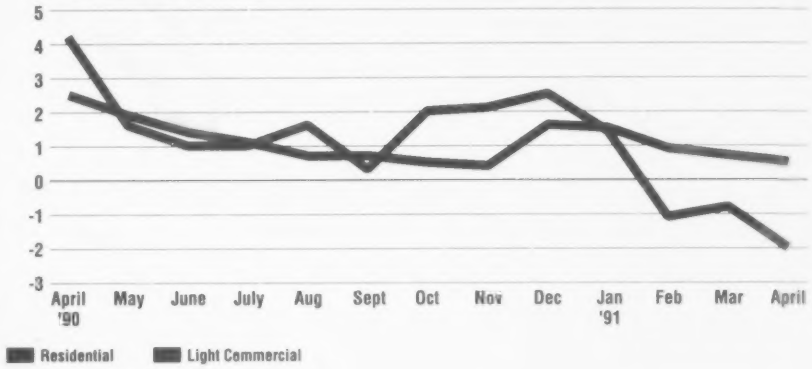
Sales Price Of New Single-Family Homes



Data in thousands of dollars.
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

INDICATORS

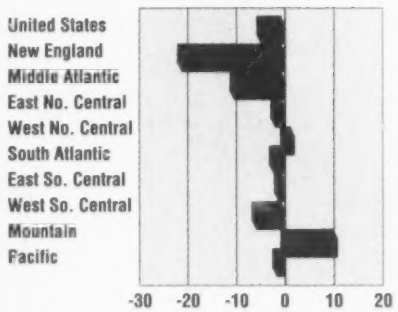
Remodeling Permit Trends — Residential & Light Commercial



Data reflect % change in 12-month moving totals.
Source: U.S. Department of Commerce.

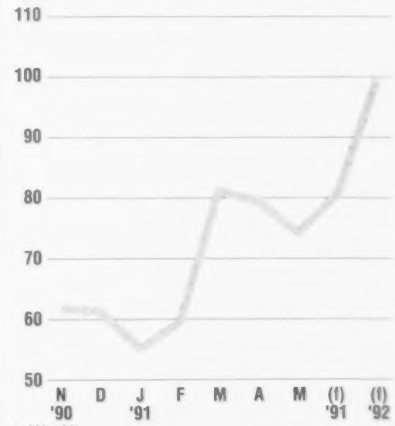
Remodeling Permit Values

(Year-To-Date 1991 vs. 1990)



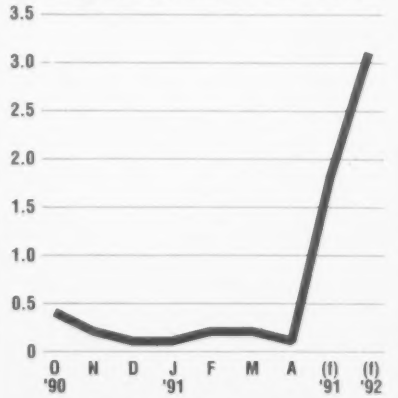
Source: U.S. Department of Commerce.

Consumer Confidence Index



(1985=100)
Source: The Conference Board. Forecast: Cahners Economics.

Construction Materials Prices



Data reflect over-the-year % change in Producer Price Index.
Source: U.S. Department of Labor.

Key Trends At A Glance

	April '91	Aug '90
Total housing starts*	957,000	1,131,000
New home sales*	500,000	525,000
Remodeling permit trend	+0.5%	+0.7%
Consumer confidence index**	79.4	84.7
Median new home price	$122,000	$118,400
Fixed-rate mortgages	9.49%	10.10%
Construction wage trend	+1.7%	+2.3%

* Seasonally adjusted annual rate.
** 1985 = 100.

Ratio Of New Housing To Existing Households Falls

The first three months of 1991 saw an encouraging upturn in household formations, increasing an estimated 1,268,000 over the first quarter of last year. The total number of households nationwide had increased by only 735,000 between 1989 and 1990—roughly half the rate of the past several years.

Chicago Title and Trust Co. has a ratio that relates the number of new residences built during a year to the number of households. During 1990, the ratio dropped to 1.28 new units per 100 households—the fourth consecutive year of decline.

Chicago Title noted that last year's ratio was the lowest recorded since the 1982 recession. The average annual ratio over the past 20 years has been 2.05 new units per 100 households, with a high of 2.64 reached during 1977.

Although all 13 Florida cities studied by Chicago Title recorded ratio declines between 1989 and 1990, all were well above the U.S. average. Six of the top 10 areas were in Florida (led by Naples' ratio of 10.15). Two were in California, with Las Vegas and Seattle rounding out the top 10. However, even these two areas recorded declines over the year. Among the few areas with above-national-average ratios, which also recorded increases between 1989 and 1990, were Bakersfield, Charleston and Dallas. □

By Daryl Delano, Cahners Economics